



### California cuts some alcohol taxes 94%

Jan Norman, small-business columnist

June 4, 2012

Alcoholic beverage taxes on flavored malt beverages, such as hard lemonade and flavored wines, has been cut to 20 cents a gallon from \$3.30 because of a recent state appeals court ruling.

The tax reduction is the result of the State Board of Equalization's decision not to appeal [the decision by the Third District Court of Appeals last month](#).



The board in 2008 approved a \$3.30 a gallon tax, up from 20 cents a gallon on flavored malt beverages at the urging of the California Friday Night Live Partnership, Students Making a Community Change and the California Youth Council. In 2011, the board approved a similar tax hike for flavored wines and wine coolers.

Diageo-Guinness USA Inc. in Connecticut and the Flavored Malt Beverage Coalition sued to block the change for malt beverages, saying the Department of Alcoholic Beverage Control has exclusive power over sale and taxation of alcohol, not the Board of Equalization.

A trial court previously sided with the board, but in May [the appeals court ruled](#) that the board's attempt to change the definition of "distilled spirits" did not withstand even the "relaxed scrutiny" that a court gives to quasi-legislative actions such as regulations.

[The board has advised manufacturers, wine growers and importers](#) to return to the tax previously set by the ABC. Companies that have overpaid their alcoholic beverage tax because of the Board of Equalization's regulation can claim refunds.

When the malt liquor tax increase went into effect Oct. 1, 2008, the board estimated that it would raise \$41 million in revenue for the state. Through the end

of 2011 it has brought in \$198,743 from 67 business entities according to board information.

Board of Equalization member Michelle Steel, who represents Orange County, said the tax raised little revenue because producers reformulated their drinks. "Instead, the state wasted millions of taxpayers' dollars on this pointless and illegal effort," she said. "This is a victory for California taxpayers. Wine and beer manufacturers will once again be able to follow a single, clear definition when producing and selling their products."